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TOM SNYDER: We begin tonight with a mystery. Money is tight in Washington. The budget is 'way out of line, but the Pentagon is renting some of the most luxurious and expensive office space in Manhattan. Why? Well, the answer is a secret. The story is next as we get these reports tonight from the Eyewitness News team.

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SNYDER: Good evening. A mystery tonight involving the Pentagon and who will occupy a posh office suite on the 28th floor of the Crystal Pavilion here in Manhattan. Now, the Defense Department admits it is renting about six thousand square feet at a yearly cost of two hundred and fifty-nine thousand dollars, or about forty-three dollars a square foot, but the space is not for defense. A Pentagon PR man, Ben Welles, wouldn't tell who it's for because it's classified.

BEN WELLES: We in the Defense Department are leasing this property on behalf of another government agency. I don't want to go beyond that.

SNYDER: Several departments normally pay one-third as much for space in Manhattan. The Crystal Pavilion is in Congressman Bill Green's district; and he told me he believes it's too expensive.

REPRESENTATIVE WILLIAM GREEN: It's mindboggling that a government agency would spend over forty dollars a square foot for a space in New York City. I'm renting space for my district office; and we're getting it for eleven dollars a foot so it's certainly possible to find space for less.

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SNYDER: Congressman, are you concerned here about the secrecy involved or is your main concern the fact that money might be being spent that doesn't have to be spent?

REPRESENTATIVE GREEN: I'm worried about the big dough involved and the fact that it seems like a nonsensical expenditure.

SNYDER: This is what all the fuss is about, the Crystal Pavilion, or the Crystal Palace, at 50th and Third Avenue in midtown Manhattan. And, nobody is saying very much about the Pentagon rental today. I talked to one fellow who was getting into a cab. He says, "oh, yeah," he says "I work one floor above where they're going to be," meaning the government, so if he's on twenty-nine, which he says he is, it means Uncle Sam will be on twenty-eight.

I tried the security guard inside. What's going on? He didn't have many answers. Here's part of what he said.

The Pentagon has leased like six thousand square feet for two hundred and forty-seven thousand a year. Have you heard about that?

CRYSTAL PAVILION GUARD: Nothing, nothing about that yet.

SNYDER: And, famed New York realtor Lew Rudin, what do you think of this deal, the Pentagon forty-three dollars a foot?

LEW RUDIN: It's silly right now, Tom, because in a building of ours three blocks north of there at 845 Third I could lease them the space for -- sixty-seven hundred feet for twenty-five dollars a foot.

SNYDER: Normally, office space for governmental departments is handled by the GSA, the General Services Administration, not the Pentagon. That only deepens the mystery of the Crystal Pavilion tonight.

Well, the Pentagon's new digs are a far cry from the homes that many West Siders may have to leave. Gulf and Western is their landlord; and the tenants say that their landlord wants them out.